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[C] Vietnam:

South Vietnam: Enemy military activity on 3 March remained down nearly to the pre-offensive level for the fourth straight day.

No major ground assaults were reported, and most mortar and rocket attacks occurred in the outlying areas, where they were directed against allied forces and installations.

At Ben Het, the allied Special Forces camp located in west-central Kontum Province, defending forces observed at least five enemy tanks and destroyed one. West of Kontum City, a US company took heavy casualties during an engagement with enemy forces.

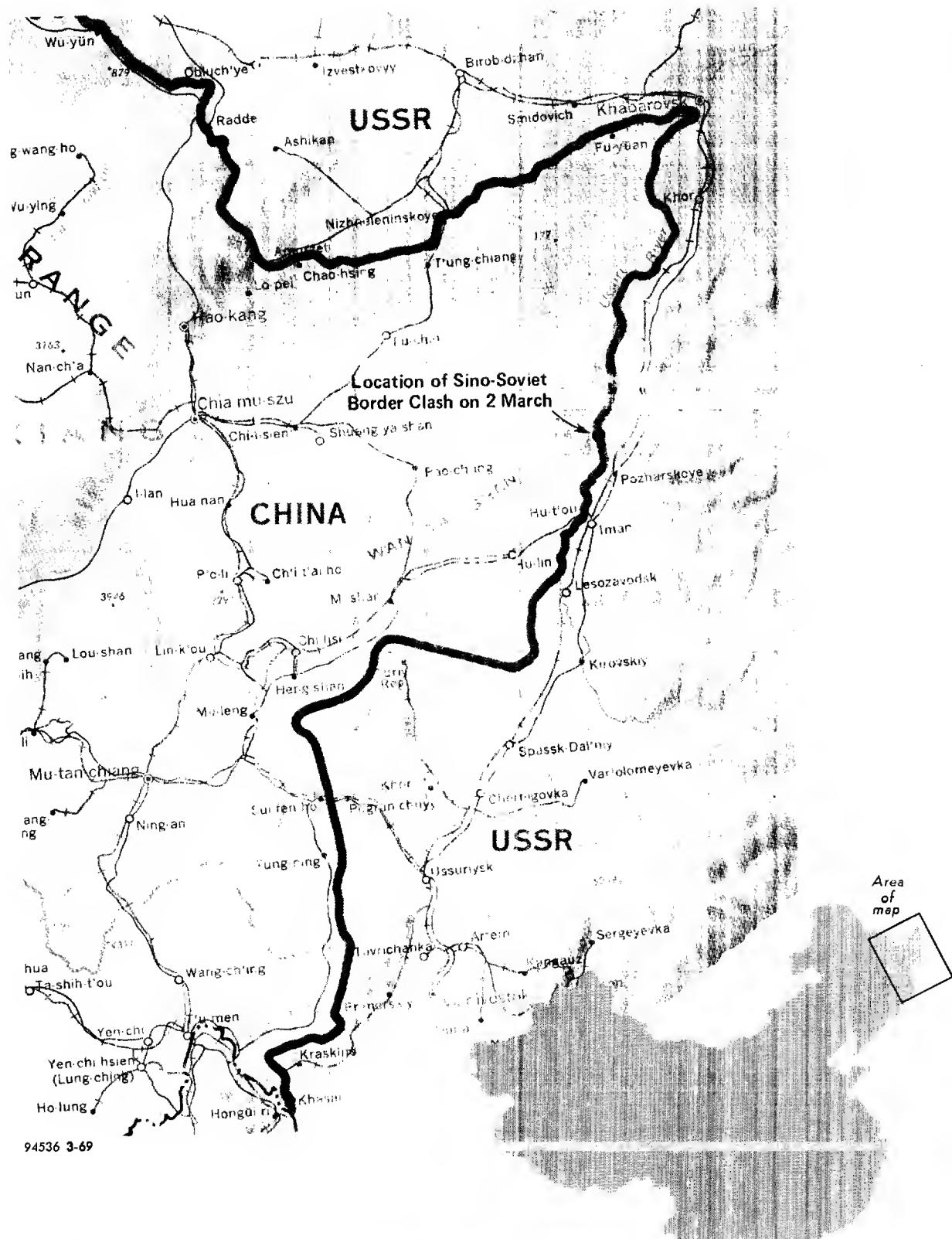
North Vietnam: The most impressive delegation ever sent by the National Liberation Front is receiving an effusive reception from Hanoi's top leadership. The first such high-level delegation to visit North Vietnam in six years, it includes four members of the Front's central committee as well as lower ranking officials drawn from many of South Vietnam's major religious, ethnic, and geographical groups.

This visit appears to be part of the continuing Communist effort to portray the Front as independent from Hanoi and to strengthen its prestige. The delegation's tour in North Vietnam could foreshadow some new political move in connection with the Paris talks, where the Communists clearly hope the Front will play a leading role. [redacted]

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Communist China - USSR: Peking has reacted angrily to the public Soviet protest over a border clash on 2 March.

In a sharply worded note delivered to the Russians on 2 March the Chinese rejected the Soviet version of the incident and asserted that Soviet troops had "openly intruded into Chinese territory killing and wounding many Chinese." They followed up this blast with a massive Red Guard demonstration outside the Soviet Embassy in Peking, the first such incident in two years.

Available information does not permit a judgment of the validity of conflicting claims regarding responsibility for this incident. The versions of both sides, however, convey the impression that this could have been the most serious border clash in the past two decades.

The Ussuri River frontier, where the clash occurred, has been the scene of continuing friction. On 3 March the Chinese official news service charged the Soviets with more than 35 border violations during the past two years. Likewise, the Russians have periodically accused the Chinese of border violations in the area.

This latest clash comes at a time when Peking is increasingly sensitive to Soviet activity along the frontier. Last September the Chinese charged the Soviets with numerous violations of Chinese air space and Premier Chou En-lai asserted publicly that the Russians were conducting a major military buildup in the border region.

[Map] (Map)

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Berlin: There have been sporadic incidents of Communist harassment of traffic to and from Berlin during the last 24 hours.

One section of a five-section US convoy en route from West Berlin to West Germany was delayed for just under an hour yesterday morning when the Berlin-Helmstedt autobahn was closed, ostensibly because of Soviet - East German maneuvers. The convoy was otherwise unhampered; French and British military convoys used the autobahn without incident. Some West German civilian traffic was subjected to short delays by the East Germans and there was a second closure of the autobahn for about an hour in the afternoon.

Air traffic moved normally. Soviet representatives were on duty throughout the day at the Berlin Air Safety Center. A majority of the delegates to the West German Federal Assembly were expected to have flown into West Berlin by last night.

Meanwhile, the West Germans have announced that several Bundestag committees will hold sessions in Berlin prior to and after the Federal Assembly meeting this week. Both Moscow and Pankow presumably will describe this as another provocation.

The East Germans have thus far failed to reply formally to the West Berlin Senat's latest proposal for further discussions, but Pankow's response was probably contained in a very negative article in the authoritative Neues Deutschland on 3 March. Commenting on alleged provocations by Bonn and West Berlin, the paper stated that "there is no way out other than cancelling the provocation planned for 5 March." [redacted]

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Central America: Nicaragua's unilateral decision to impose restrictive trade measures is a backward step in the process of Central American economic integration.

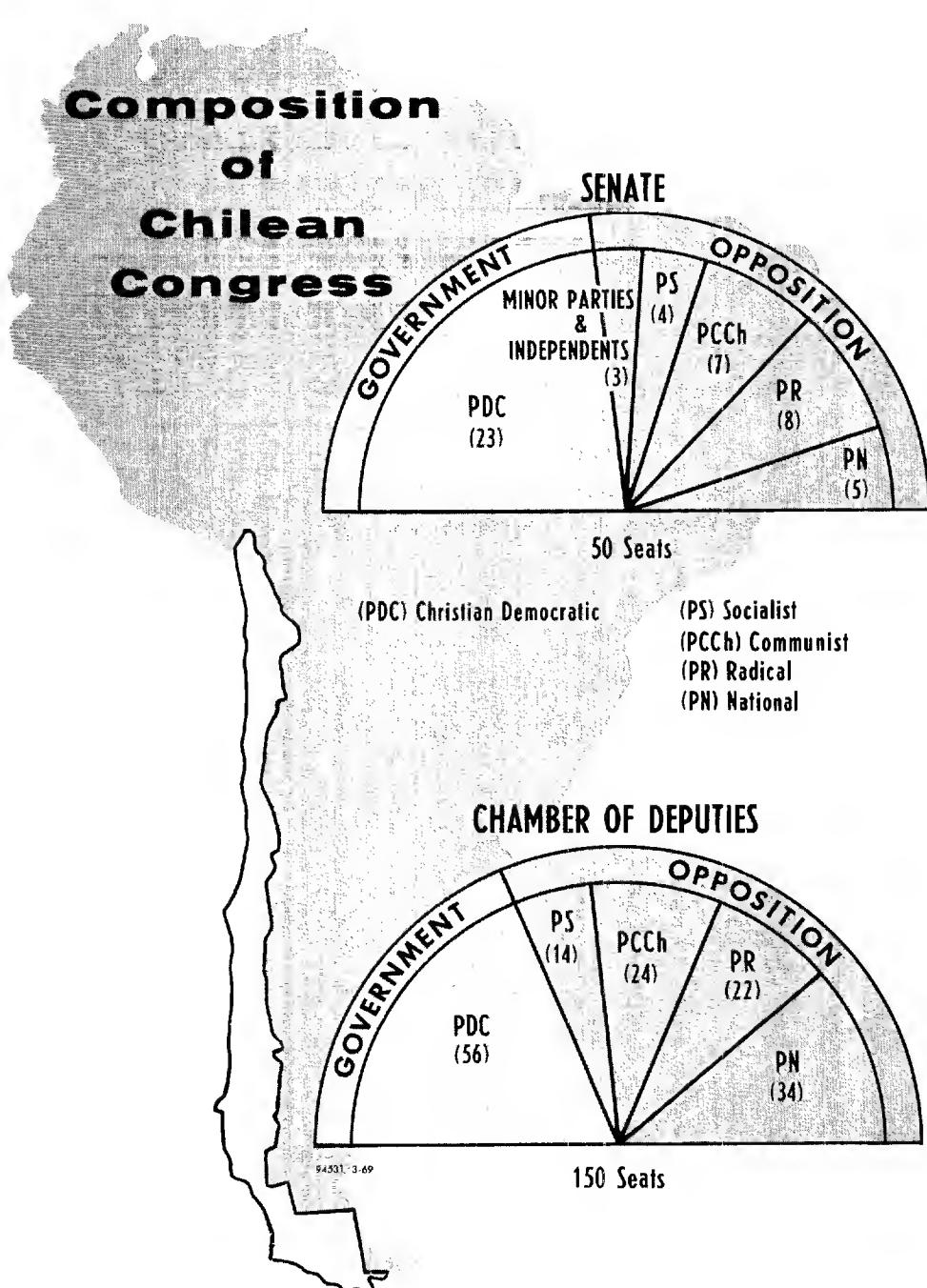
President Somoza announced on 28 February the immediate imposition of taxes on certain imports from other Central American Common Market countries. His decision is primarily a reaction to a recent study by the International Monetary Fund, which concluded that the Nicaraguan Government could not further reduce current expenditures and could solve its economic problems only by reducing development outlays or finding new sources of revenue. Unwilling to reduce the level of public investment, the President has instead taken the difficult step of raising additional revenue.

Somoza, who believes that his country's current economic problems have resulted in large part from unfair trading practices of the other Common Market countries, was also motivated by a desire to put pressure on them to ratify and deposit outstanding protocols. The Nicaraguan Government has threatened further unilateral acts if its Common Market partners do not speed economic integration. These measures may include taxes on presently exempt industrial products which are only assembled in Central America and which are not considered by Somoza to be crucial to Central American economic development. [redacted]

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Chile: Congressional elections last Sunday cost President Frei's Christian Democratic Party its majority in the Chamber of Deputies, although it remains the largest party in Chile.

With 31 percent of the vote--far below the 42 percent it obtained in 1965--it now holds only 56 seats of 150 in the lower house. In the Senate it gained, but is still three seats short of controlling that body.

The biggest gainer was the conservative National Party, which emerged as the second largest party in Chile. This outcome was due in part to the party's effectiveness in associating itself with former president Jorge Alessandri and in part to a general disenchantment with reform on the part of Frei's middle class and conservative constituency. This disenchantment may also have been a major factor in the high level of abstentions--over 26 percent--despite penalties for not voting.

The Communist and Socialist parties together polled about 30 percent of the vote--an eight percent increase over the 1965 congressional elections. Pro-Castro Socialist Salvador Allende got the highest vote in his district, giving him an important push toward nomination by the Communists and Socialists for president in 1970. [redacted]

(Chart)

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Costa Rica: A bitter and vindictive political campaign is taking shape for the general elections next February.

The parties of the incumbent coalition National Unification (UN) have chosen Mario Echandi as their standard bearer against his longtime political enemy, Jose Figueres of the opposition National Liberation Party (PLN). The personal antagonism between the chief candidates, both of them ex-presidents, adds to the sharpness between the political groups. The UN and PLN have engaged in unrelenting political warfare since the 1966 elections gave the executive branch to the UN and the legislature to the PLN.

The tone of the forthcoming campaign was set by Echandi's immediate reference to the "menace that Figueres represents" and his promise to save Costa Rica from "a new and ominous PLN administration."

Adding to the heat of the political scene is the increasingly evident gap between political generations. Both parties have been racked by abortive youthful revolts against the long-dominant personalities. [redacted]

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Malawi: The influx of whites from southern Africa has strained race relations, raising the chances for eventual violence.

President Banda's policy of encouraging investment from white-ruled southern African countries, which have responded most positively to his program for economic development, has led to a disturbing racial by-product. The initial wave of white professionals and businessmen is being followed by openly prejudiced skilled and semiskilled laborers--particularly from South Africa and Rhodesia--who will man a number of new development projects and commercial schemes. Growing disgruntlement among Malawi's African elite has resulted.

As long as Banda rules the country, racial tensions are unlikely to produce serious political consequences. [redacted]

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[redacted] Banda is too well entrenched for any action to be taken against him. Although the possibility of his assassination as "a stooge of white racists" cannot be ruled out, the competence of the apolitical security forces, led by British expatriates, and the President's immense popularity among the uneducated masses in the bush have precluded any anti-Banda movement. [redacted]

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USSR-Algeria-Morocco: Soviet President Podgorny is scheduled to arrive in Algeria late in March and to go on to Morocco on 1 April for five days. This will be the first visit by a Soviet chief of state to these two countries and dramatizes the growing Soviet interest in the Maghreb. Soviet military and economic aid to North Africa is concentrated in Algeria, but Moscow is probably anxious to respond to King Hassan's recent willingness to increase contacts with the Soviet Union and repay the visit he made to Moscow in 1966. The Soviets concluded their most recent military and economic aid agreements with Morocco in October 1966. Soviet naval ships visited there for the first time last October.

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Hungary-USSR: Hungarian economic leaders, in Moscow from 26 February to 1 March, have returned to Budapest apparently without having reached full agreement with their Soviet counterparts. TASS announced that the talks centered on "the further development of economic cooperation," but spoke only of a "friendly exchange of opinions." This cautious phraseology may reflect either some disagreement over proposed reforms within the Council for Mutual Economic Assistance or Soviet hesitance to endorse any proposals before completion of other bilateral talks.

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